

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6849**

**BILL NUMBER:** HB 1838

**DATE PREPARED:** Feb 3, 2001

**BILL AMENDED:**

**SUBJECT:** Property tax assessments of riverboats.

**FISCAL ANALYST:** Bob Sigalow; Chuck Mayfield

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**FUNDS AFFECTED:**

**X**

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill prohibits the application of obsolescence in the assessment of a riverboat for property tax purposes.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The state levies a one cent tax rate for State Fair and State Forestry. A reduction in the assessed value base reduces the property tax revenue for these two funds. If this bill prevents a reduction in assessed value, then it would also prevent the associated reduction in revenue to the State Fair and State Forestry Funds.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The impact of not allowing an obsolescence property tax deduction for riverboats is unknown. The impact would depend on the number of obsolescence deductions that riverboat owners would request and the number that would be granted.

The total assessed valuation of riverboats, statewide, is currently about \$44 M. This number will increase after the newest riverboat is added to the tax rolls on March 1, 2002. The total AV will be approximately \$48 M - \$50 M. This bill would apply to a riverboat itself, but not to any of the associated casino-owned property.

The granting of a deduction either shifts the tax burden to other taxpayers or reduces income. The impact on a local government's property tax levy depends on the property tax controls of the fund. There are two basic types of property tax controls: levy controls and rate controls. If the fund is subject to levy controls, then the fund is allowed to raise a fixed dollar amount from property taxes. A drop in the assessed valuation of the fund due to a deduction causes the amount paid by other taxpayers in the unit to increase to offset the

reduction. The fund experiences no loss of revenue, but the other taxpayers' liabilities would increase. Under rate controls, the property tax rate is fixed and a drop in assessed valuation results in less revenue being raised by the fixed rate. The other taxpayers' liabilities would remain about the same. In the case of the school General Fund, the loss in revenue is made up by the state in the form of increased tuition support dollars. Not allowing the deduction prevents the shift to other taxpayers or the loss of revenue to local units.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** Local units in counties with riverboats.

**Information Sources:** State Board of Tax Commissioners; Local assessors.